

RHNA Funding Effort Update

REGIONAL COUNCIL ATTACHMENT #4.4.1
Thursday, Feb. 6, 2003

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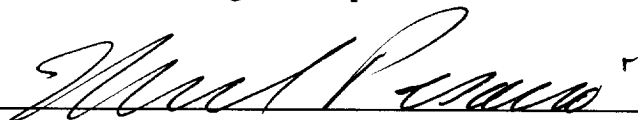
DATE: February 6, 2003

TO: Members of the Community, Economic, and Human Development Committee (CEHD)
Members of the Regional Council

FROM: Charlotte Eckelbecker, Government Affairs Analyst
Phone: (213) 236-1811 E-Mail: eckelbec@scag.ca.gov

SUBJECT: Regional Housing Needs Assessment (RHNA) Funding Effort Update and
Consideration of Options

EXECUTIVE DIRECTOR'S APPROVAL



RECOMMENDED ACTION: Consider options to address the RHNA funding issue and provide direction to staff.

SUMMARY:

At its November 7, 2002 meeting, the Regional Council directed SCAG staff to seek from the State of California the full funding of the upcoming Regional Housing Needs Assessment (RHNA). If legislative and administrative efforts to secure funding were unsuccessful, staff was instructed to seek a suspension of the RHNA mandate. Furthermore, work on the RHNA was suspended pending an update to the Regional Council in February 2003.

Staff is returning today with the requested update and a recommendation to consider options to address the RHNA funding issue and to provide direction to SCAG staff. Options include 1) reintroducing last year's SB 910 language that amended RHNA schedules and anticipated SCAG's next RHNA update in 2006, 2) introducing legislation to postpone SCAG's RHNA deadline, absent the other SB 910 provisions, 3) directing SCAG staff to seek alternate sources of funding to cover RHNA costs until reimbursements are available, and 4) advocating in Sacramento for a full RHNA reimbursement while undertaking RHNA preparatory work with existing funds.

BACKGROUND:

Statutory Requirements and Anticipated Costs

SCAG is required by California Government Code § 65584 to perform a regional housing needs assessment every five years. The next RHNA commences July 1, 2003, with completion scheduled for July 1, 2004. To meet their statutory obligations, jurisdictions within the SCAG region have until July 1, 2005 to update their housing elements. In the event of a suspension of RHNA activities, the statutory deadlines are unaffected and do not toll or extend into the future.

The RHNA is expected to cost approximately \$1,000,000. Of that amount, it is anticipated that \$100,000 will be spent in Fiscal Year 2002-03. At present, SCAG's Overall Work Program contains \$21,083.52 for RHNA for Fiscal Year 2002-03, approximately one-fifth the necessary amount.



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Reimbursement from the Commission on State/Local Mandates and the Budget Deficit

The cost of performing the RHNA is reimbursable to SCAG by the Commission on State/Local Mandates, and in the past, SCAG was able to obtain an advance from the Commission to cover the cost of the RHNA.

In Fiscal Year 2003-04, however, the state deficit poses an obstacle to reimbursement. The Governor's budget bill, Assembly Bill 100 (Oropeza, D-Long Beach) and Senate Bill 53 (Chesbro, D-Arcata), allocates only \$1,000 for statewide RHNA reimbursements. Any amount in excess of \$1,000 will remain payable by the State with interest. Last year, the repayment of mandates was suspended for a year, and it is possible that any amount owing to SCAG will be deferred until the state budget crisis is resolved.

Suspension of the RHNA Mandate

Given the dearth of RHNA funds, the Regional Council instructed staff to seek a suspension of the RHNA mandate if adequate funding could not be secured. Since that time, the extent of the budget deficit has been examined and the Governor's budget has been released. Like the Regional Council, many local jurisdictions, the League of Cities, and the California State Association of Counties have considered the question of suspending either the RHNA mandate or, in some cases, all state-mandated projects.

At this time, the political will for a blanket mandate suspension, under which RHNA would also be suspended, is doubtful. Many jurisdictions support the mandated programs and are unlikely to seek suspension, given the programs' popularity. The League and CSAC have not pledged their advocacy for a blanket suspension. Support in the Legislature for a blanket suspension is also doubtful. Many legislators believe state-mandated local programs should not cease, despite a delay in repayment.

For similar reasons, a RHNA-specific suspension is unlikely. Staff for Senator Denise Moreno Ducheny (D-San Diego), Chair of the Senate Housing and Community Development Committee, has indicated the Senator will not support a suspension. Senator Joe Dunn (D-Garden Grove), who introduced SB 910 in 2001 on housing element reform, is also opposed to suspension. Beyond the Legislature, the Governor's opposition to suspension of RHNA or any other mandate must be anticipated.

In lieu of suspension, one proposal that has gained momentum with the League and CSAC requires the State to set a date upon which reimbursements of state-mandated local programs will be made. Once a date is set, local jurisdictions are able to borrow money privately against that date to pay for mandated programs. SCAG would not benefit directly from the implementation of this proposal. The agency has already collateralized its assets to secure a \$5,000,000 line of credit and could not secure a \$1,000,000 loan for RHNA without additional assets.

SCAG staff is investigating whether the Department of Housing and Community Development could use funds from the Housing and Emergency Shelter Trust Fund, discussed below, for RHNA reimbursement or, as an alternative, could borrow against the bond. Members of CEHD and the Regional Council will be apprised of the results of the inquiries.



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Support for RHNA Reimbursement

Despite the unlikely suspension of the RHNA mandate, support may exist to fully fund SCAG's RHNA efforts. The November 2002 passage of Proposition 46, creating the Housing and Emergency Shelter Trust Fund, has muted the negative impact of the budget crisis on housing programs. Consequently, a \$1,000,000 appropriation for SCAG's work on the RHNA is not inconceivable as a concession to the Legislature's Housing and Community Development Committees.

SCAG Government Affairs staff has discussed RHNA reimbursement with Senate Housing and Community Development Committee Consultant Mark Stivers, who characterizes his commitment to assisting SCAG achieve the full funding of its RHNA efforts as a high priority. In Mr. Stivers' estimation, both Senators Ducheny and Dunn would support reimbursement.

An intensive advocacy effort in Sacramento to secure the RHNA reimbursement may stand a better chance of success than an equal effort to suspend the RHNA mandate. Moreover, payment of the RHNA reimbursement may ultimately be more palatable to the Governor than the suspension of RHNA activities due to lack of funds.

Options to Consider

Factoring in the political dynamics and the state budget constraints, SCAG has four options when considering the RHNA. They are as follows:

1. Reintroduce last year's SB 910 language that made wholesale changes to RHNA schedules and anticipated SCAG's next RHNA update in 2006;
2. Introduce legislation to postpone SCAG's RHNA deadline, absent the other SB 910 provisions;
3. Direct SCAG staff, at the discretion of the Administration Committee, to seek alternate sources of funding to cover RHNA costs until reimbursements are available;
4. Advocate in Sacramento on behalf of a full reimbursement of SCAG's RHNA costs while undertaking RHNA preparatory work with existing funds.

Options 1 and 2 have the advantage of postponing the RHNA without canceling it altogether. In a similar vein, the San Diego Association of Governments (SANDAG) will be introducing legislation to postpone its RHNA for a year in order to pair the RHNA with the completion of its regional comprehensive plan. In SCAG's case, the postponement would be paired with RHNA schedule changes sought last year.

Option 3 has the advantage of not requiring statutory amendment. However, as previously mentioned, SCAG's collateral is committed to the \$5 million line of credit. Alternate resources may not be available.

In support of Option 4, SCAG currently has \$21,083.52 allocated in its FY2002-2003 budget for preparation for the upcoming RHNA. Preliminary work, undertaken to meet statutory deadlines in the absence of a mandate suspension, could proceed with this amount. The work would include consultation with the Housing and Community Development Department on the region's total share of statewide housing need, design of the sub-regional delegation work plan, selection of a consultant, and the gathering and calibrating of data for use in a Policy Allocation Framework, as approved by the CEHD Committee.

If no additional funds are made available by the state, the remaining funding for these preparatory efforts and for the RHNA in FY 03-04 would be paid from SCAG's General Fund as discussed below.



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FISCAL IMPACT:

The cost of advocating in Sacramento for Option 1 or 2, discussed above and involving the introduction of legislation postponing SCAG's RHNA update with or without other RHNA amendments, is contained within the adopted FY02/03 budget and the adopted 2002 SCAG Legislative Program and does not require the allocation of additional financial resources. Were either advocacy effort successful, the postponement of RHNA would have the additional positive fiscal impact of moving RHNA into a later state budget cycle when the possibility of receiving an advance to fund RHNA efforts could return, depending on the state's budgetary health. If the advocacy effort for either option failed, SCAG possesses only \$21,083.52 for all of RHNA.

The cost of seeking alternative resources to fund the RHNA, as expressed in Option 3 above, depends on the nature of the alternate resources. As previously noted, SCAG's assets have been collateralized for the \$5,000,000 line of credit. Consequently, SCAG can not obtain a conventional loan. The expense of an unsecured loan, if available, would be cost-prohibitive. Alternate sources of funding, such as contributions collected from member jurisdictions to fund RHNA, have not been amenable to members of the Regional Council to date. Until alternate resources were secured, no other funds besides those in the FY 02/03 OWP exist and could be expended.

The cost of adopting Option 4, which calls for seeking a full RHNA reimbursement via advocacy in Sacramento while doing RHNA preparatory work, is accounted for in the FY 02/03 OWP to the extent of \$21,083.52, which was previously allocated for RHNA. However, any additional RHNA work in excess of that amount must be paid from existing General Funds. Should full funding proposals fail to pass, despite early indications of legislative support, state reimbursement has been deferred in the Governor's budget proposal and could go unpaid until the state budget crisis is resolved.

RHNA CEHD
CAE #80691

